

My name is Mike Hogue

My family and I have grown hops near Prosser since the 1940's. For twenty years I owned and operated Hogue Cellars Winery in Prosser Washington. Having Sold Hogue Cellars Winery in 2001 we are now only involved in farming. We are diversified growers farming hops, apples, wine grapes and juice grapes.

I have produced hops under the 1966 Hop Marketing Order and also produced mint under the mint marketing order. I sold my mint base in 1990. I found working with my fellow hop growers under the Hop Marketing Order to be more stable, profitable and easier to bank than in the unstable environment we've experienced without a Hop Marketing Order. Under the Hop Marketing Order I sold my hops through forward contracts and I had little inventory. Since the order was removed I have received fewer and fewer forward contracts and have been forced to bear most of the inventory burden in the hop supply system.

We have 525 acres of land in hop trellis but have only twined 375 acres the last two years. We have elected not to grow these acres as part of a grass roots effort to balance supply and demand. While we laid idle 150 acres in 2002 and in 2003 other growers in this room saw our acreage reduction as a chance to grow more hops rather than a chance to balance supply and demand. They received less than a dollar for those hops.

The instability in the balance of supply and demand makes it harder and harder to conduct the business of farming. Credit administrators at Key Bank, US Bank and Bank of the West have identified the hop industry as a troubled industry and are in the process of tightening credit terms and writing down the value of inventory. They have realized that hop growers are not capable of balancing supply and demand for their product.

Half of my career growing and selling hops has been with a marketing order in place and half has been spent enduring unstable market conditions. I have seen middle men who are not satisfied with ordinary margins, on the services they provide, augment their profit margins by over-charging brewers and under-returning proceeds to the grower. I have seen end-users of our hops ignore the instability of the cost of our product because it is insignificant to their cost accounting structure. I have seen the number of growers decrease drastically and the average industry savvy of the remaining growers increase exponentially. I hope to now see the growers unify their efforts and balance supply and demand through this proposed marketing order.

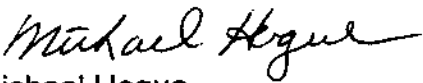
I know that growers have been pressured by various handlers and end-users to vote against the HMO and to convince others to do the same. I know this because I have felt the same pressure. I believe that in a hidden ballot, some growers will vote for the marketing order despite their indications to the contrary today. I believe this because under a marketing order they will not have to fear the forms of retribution to which we've all become accustomed.

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I believe that some growers have come to support the HMO due to the content of these hearings. They have seen the demeanor of the proponents committee and that of the opposition. They have seen that the proponents are acting on behalf of the industry and all growers equally regardless of their current avenue to the market. They have seen that there will be true demand for their product that will be demonstrated with profitable future contracts and competitive spot pricing due to yield variances. They know that the marketing order isn't about restricting supply, it is about balancing supply and demand. They know that the marketing order isn't about increasing prices, it is about stable prices that cover the cost of growing and reward the grower with an adequate profit margin for his efforts.

Please allow this Hop Marketing Order to go to referendum and allow the American Hop Growers to decide their own fate.

This is my testimony on October 24, 2003,

A handwritten signature in cursive script that reads "Michael Hogue".

Michael Hogue
Hogue Ranches, Inc.